

CITY OF EMMETSBURG, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2012

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CITY OF EMMETSBURG, IOWA

CITY OFFICIALS

<u>Official Title</u>	<u>Name</u>	<u>Term Expires</u>
(Before January 2012)		
Mayor	John Schad	January 2, 2012
Mayor Pro Tem	Steve Finer	January 2, 2012
Council member	Sandy Pelzer	January 2, 2012
Council member	Corey Gramowski	January 2, 2012
Council member	Tony Kauten	January 2, 2012
Council member	Brian Malm	January 2, 2014
Council member	Brian Campbell	January 2, 2014
City Clerk	Kimberly Kibbie	
City Attorney	Brian W. Thul	
City Administrator	John Bird	
(After January 2012)		
Mayor	Myrna Hedding	January 2, 2016
Mayor Pro Tem	Steve Finer	January 2, 2014
Council member	Brian Campbell	January 2, 2014
Council member	Brian Malm	January 3, 2014
Council member	Bill Burdick, Jr.	January 2, 2016
Council member	Corey Gramowski	January 2, 2016
Council member	Tony Kauten	January 2, 2016
City Clerk	Kimberly Kibbie	
City Attorney	Brian W. Thul	
City Administrator	John Bird	

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City
Council City of Emmetsburg, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Emmetsburg, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The City did not implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions as described in Note 4 E. The effect on the financial statements of the preceding practices is not reasonably determinable.

Capital assets policies of the City's governmental funds and the component units (gas, water and sanitation) do not conform to generally accepted accounting principles as described in Note 1 D (4) and Note 3 B to the financial statements. The amount by which this departure would affect the assets, fund balances, and expenditures/expenses of the governmental and component unit's funds (gas, water and sanitation) is not reasonably determinable.

In our opinion, except for the effects, if any, of not implementing GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions and not using capital asset policies that fully conform to generally accepted accounting principles for the governmental and component units (gas, water and sanitation), as described in the third and fourth paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, as of June 30, 2012, and the respective

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changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 12, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Emmetsburg, Iowa's financial statements as a whole. The combining and nonmajor fund financial statements, and the schedule of revenues by sources and expenditures by function are presented for purposes of additional analysis and are not a required part of the financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2012 (which are not presented herein) and expressed a qualified opinion, for the effects on the financial statements, if any, of the omissions described in the third and fourth paragraphs of this report for the years ended June 30, 2010 and 2011 and the fourth paragraph for the year ended June 30, 2009, on those financial statements. The combining nonmajor fund financial statements and the schedule of revenues by sources and expenditures by function are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects, if

any, of the omissions described in the third and fourth paragraphs, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Burdorf, Parrott And Associates, P.C.

December 12, 2012

Management's Discussion and Analysis

Our discussion and analysis of the City of Emmetsburg, Iowa's financial performance provides an overview of the City's financial activities for the year ended June 30, 2012. Please read this information in conjunction with the City's financial statements, which follow.

Financial Highlights

- Revenues of the City's governmental activities increased \$305,869 or 7.44% from fiscal year 2011 to fiscal year 2012. Property taxes and assessments increased \$382,472 for all activities.
- Program expenses of the City's governmental activities increased \$165,688 or 5.18% in fiscal year 2012 from fiscal year 2011. Public works decreased \$76,144 and capital outlay not included in capital assets expenses increased by \$130,992.
- The City's net assets for the primary government increased \$1,183,384 from June 30, 2011 to June 30, 2012. Of this amount, the net assets of the governmental activities increased \$1,138,292 and the net assets of the business-type activities increased by \$45,092.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City as a whole and present an overall view of the City's finances.
- The Fund Financial Statements tell how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue and Capital Projects Funds.

Reporting the City's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City of Emmetsburg in a better financial position at the end of the fiscal year, compared to last year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector

companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. A person will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, interest on debt and debt related fees and capital outlay not included in capital assets. Property tax, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities include garbage pickup (solid waste) and the City's Cemetery. These activities are financed primarily by user charges.

The Government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law or by bond requirements. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the Lake Project Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the state for housing rehabilitation for low and moderate income families). The City's two kinds of funds are:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliation at the bottom of the fund financial statements.
The City maintains 36 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Road Use Tax

Fund, Wild Rose Allocation Fund and Monroe Street Fund, all of which are considered to be major funds. Data from the other thirty two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements located in the supplementary information section of this report.

The basic Governmental Fund Financial Statements can be found on pages 15-17 of this report.

- Proprietary funds account for the City's Enterprise Funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

The basic Proprietary Fund Financial Statements can be found on pages 18-20 of this report.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the change in the net assets for governmental and business-type activities. This does not include the component units of gas, water and sanitation.

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 5,511,019	6,204,547	599,822	509,681	6,110,841	6,714,228
Capital assets	10,071,495	8,602,137	130,304	161,025	10,201,799	8,763,162
Total assets	15,582,514	14,806,684	730,126	670,706	16,312,640	15,477,390
Liabilities:						
Long-term debt	3,519,621	3,916,712	-	-	3,519,621	3,916,712
Other liabilities	1,818,974	1,784,345	27,662	13,334	1,846,636	1,797,679
Total liabilities	5,338,595	5,701,057	27,662	13,334	5,366,257	5,714,391
Net assets:						
Invested in capital assets, net of related debt	6,574,399	4,685,425	130,304	161,025	6,704,703	4,846,450
Restricted	1,690,149	3,072,197	-	-	1,690,149	3,072,197
Unrestricted	1,979,371	1,348,005	572,160	496,347	2,551,531	1,844,352
Total net assets	\$ 10,243,919	9,105,627	702,464	657,372	10,946,383	9,762,999

Net assets of governmental activities increased from June 30, 2011 by \$1,138,292 or 12.50%. This increase was due primarily to the continued strength of the property tax base and casino revenues received by the City. Net assets of business-type activities increased from June 30, 2011 by \$45,092 or 6.86%. This increase was due to solid waste revenues received by the City. The City's net assets

are primarily invested in cash and capital assets, less related debt. By definition, restricted net assets represent resources that are subject to external restrictions, bond covenants, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, are \$1,979,371 at the end of the year.

For the year ended June 30, 2012 and 2011, net assets changed as follows:

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues						
Charges for services	\$ 132,463	101,697	471,168	446,118	603,631	547,815
Operating grants and contributions	377,317	444,891	-	-	377,317	444,891
Capital grants and contributions	499,024	494,797	-	-	499,024	494,797
General Revenues						
Property taxes and assessments	1,876,173	1,493,701	-	-	1,876,173	1,493,701
TIF revenues	251,356	263,201	-	-	251,356	263,201
Other City taxes	464,475	379,834	-	-	464,475	379,834
Use of money and property	53,338	56,485	1,462	2,274	54,800	58,759
Miscellaneous	756,216	874,887	5,890	8,320	762,106	883,207
Gain on disposal of capital assets	5,000	-	-	-	5,000	-
Total revenues	4,415,362	4,109,493	478,520	456,712	4,893,882	4,566,205
Expenses						
Public safety	628,181	594,709	-	-	628,181	594,709
Public works	1,024,693	1,100,837	-	-	1,024,693	1,100,837
Culture and recreation	668,193	664,494	-	-	668,193	664,494
Community and economic development	162,813	127,081	-	-	162,813	127,081
General government	379,905	361,292	-	-	379,905	361,292
Debt service	116,774	97,450	-	-	116,774	97,450
Capital outlay not included in assets	380,950	249,958	-	-	380,950	249,958
Solid waste	-	-	409,459	396,815	409,459	396,815
Cemetery	-	-	34,969	30,171	34,969	30,171
Total expenses	3,361,509	3,195,821	444,428	426,986	3,805,937	3,622,807
Increase (decrease) in net assets before transfers	1,053,853	913,672	34,092	29,726	1,087,945	943,398
Transfers	84,439	88,698	11,000	12,000	95,439	100,698
Increase (decrease) in net assets	1,138,292	1,002,370	45,092	41,726	1,183,384	1,044,096
Net assets, beginning	9,105,627	8,103,257	657,372	615,646	9,762,999	8,718,903
Net assets, ending	\$ 10,243,919	9,105,627	702,464	657,372	10,946,383	9,762,999

Changes in property taxes and assessments of \$382,472 was primarily due to new special assessments.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,399,411. \$97,179 is nonspendable for perpetual cemetery care and inventory. \$1,489,742 is restricted for road use, Wild Rose allocation, Monroe Street, Dredging Five Island Lake, debt service and other non-major governmental funds. \$859,408 is committed for economic

development, Hotel Motel tax, Local Option Sales Tax, the community center and other donations. \$538,001 is assigned for funds to cover revenue short-falls, capital improvements revolving funds and various set-aside funds. This leaves an unreserved balance of \$415,081.

This governmental fund balance decreased by \$964,958 or 22.11%. The decrease was due to expenditures in excess of revenues. The significant decrease was in the Monroe Street Fund for street construction of \$1,392,295.

The General Fund is the chief operating fund of the City of Emmetsburg. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$411,903. As a measure of the General Funds liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total fund expenditures. Unassigned fund balance represents 19.28% of the total General Fund expenditures.

The following fund balances in the other major funds, which comprise the Total Governmental Funds, are listed below:

	FY12 Amount	FY11 Amount	Increase (Decrease)
General Fund	\$ 776,717	643,124	133,593
Road Use Tax Fund	176,106	91,779	84,327
Wild Rose Allocation Fund	504,160	384,133	120,027
Monroe Street Fund	87,490	1,405,068	(1,317,578)
Other Governmental Funds	1,854,938	1,840,265	14,673

The General Fund had the largest increase in fund balance for the major funds. This increase was due to funds transferred into the general fund.

The largest decrease in fund balance for the major funds occurred in the Monroe Street Fund. This was due to street construction completed in the fiscal year ended June 30, 2012.

The following schedule presents a summary of the governmental fund revenues for the fiscal year ended June 30, 2012 and June 30, 2011:

Revenues	FY12 Amount	Percent of Total	FY11 Amount	Increase (Decrease) from FY11	Percent of Increase (Decrease)
Property taxes and assessments	\$ 1,463,704	35.20%	\$ 1,442,230	\$ 21,474	28.70%
Tax increment financing	251,356	6.00%	263,201	(11,845)	-15.80%
Other city tax	187,586	4.50%	155,111	32,475	43.40%
Licenses and permits	16,640	0.40%	28,248	(11,608)	-15.50%
Use of money and property	53,338	1.30%	56,485	(3,147)	-4.20%
Intergovernmental	1,228,170	29.50%	1,214,730	13,440	18.00%
Charges for services	132,463	3.20%	101,697	30,766	41.10%
Special assessments	85,511	2.10%	13,012	72,499	96.90%
Miscellaneous, including fines	739,579	17.80%	808,802	(69,223)	-92.60%
	<u>\$ 4,158,347</u>	<u>100.00%</u>	<u>\$ 4,083,516</u>	<u>\$ 74,831</u>	<u>100.00%</u>

The most significant increase in revenues was special assessments. The increase was due to the receipt of special assessments for the Monroe Street Project.

The most significant decrease in revenues was in miscellaneous, including fines. The decrease was due to \$67,723 less revenue received by the PA Gaming Corporation Allocation Fund..

The following schedule presents a summary of governmental expenditures for the fiscal years ended June 30, 2012 and June 30, 2011.

Expenditures	FY12 Amount	Percent of Total	FY 11 Amount	Increase (Decrease) from FY11	Percent of Increase (Decrease)
Public safety	\$ 630,120	12.10%	\$ 554,930	\$ 75,190	6.00%
Public works	808,565	15.50%	838,772	(30,207)	-2.40%
Culture and recreation	633,998	12.20%	581,923	52,075	4.10%
Community and Economic Development	161,950	3.10%	126,218	35,732	2.80%
General government	375,332	7.20%	353,843	21,489	1.70%
Debt Service	498,647	9.60%	468,142	30,505	2.40%
Capital projects	2,099,132	40.30%	1,021,468	1,077,664	85.40%
	<u>\$ 5,207,744</u>	<u>100.00%</u>	<u>\$ 3,945,296</u>	<u>\$ 1,262,448</u>	<u>100.00%</u>

The most significant increase in expenditures occurred in the capital projects fund. The increase was due primarily to the Monroe Street project. Public Works was the largest decrease in expenditures for FY12. The decrease was due to less expense in the street department during FY12.

Proprietary Funds

City of Emmetsburg's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Solid Waste and Cemetery funds at the end of the year amounted to \$572,160. Total net assets amounted to \$702,464.

These funds were established for the City operations that are financed and operated in a manner similar to private business enterprises. The cost of providing the services to the general public is recovered, in whole or in part, through user charges.

The City's enterprise operations are comprised of two separate and distinct activities: Solid Waste and the Cemetery Fund. Results of operations for these funds for the year ended June 30, 2012 and June 30, 2011 are as follows:

	Solid Waste		Cemetery	
	2012	2011	2012	2011
Operating Revenues	\$ 456,578	427,063	20,480	27,375
Operating Expense	409,459	396,815	34,969	30,171
Non-Operating revenues	1,220	1,843	242	431
Operating transfers in	-	-	11,000	12,000
Changes in Net Assets	48,339	32,091	(3,247)	9,635

Budgetary Highlights

Over the course of the year, the City Council revised the budget once. The budget amendment increased appropriations to cover unplanned expenditures/expenses and transfers. The budget amendment was on May 14, 2012. At the end of the year, the City did not exceed the amended budgeted amounts in any of its functions.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2012 the City had \$10,071,495 net of depreciation invested in capital assets including police and fire equipment, buildings, park facilities, and infrastructure. This does not include the Component Units that had \$11,057,711 invested in capital assets. Infrastructure prior to July 1, 2003 is not included in the financial statements unless it was considered as construction in progress on July 1, 2003.

A schedule of capital assets, net of depreciation, as of June 30, 2012 and 2011 is as follows.

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land and improvements	\$ 110,767	32,211	23,550	24,572	134,317	56,783
Machinery, equipment, and vehicles	1,134,537	1,168,011	41,933	69,482	1,176,470	1,237,493
Buildings	822,044	710,294	64,821	66,971	886,865	777,265
Infrastructure	7,936,189	5,876,209	-	-	7,936,189	5,876,209
Construction in process	67,958	815,412	-	-	67,958	815,412
	<u>\$ 10,071,495</u>	<u>8,602,137</u>	<u>130,304</u>	<u>161,025</u>	<u>10,201,799</u>	<u>8,763,162</u>

The major capital asset expended during the current fiscal year included the following:

- Monroe Street project for \$1,392,295.

More detailed information about the City's capital assets is presented in Note 3 to the financial statements.

Debt

At year-end, the City had \$3,459,697 in outstanding bonds and agreements compared to \$3,841,328 last year. That is a decrease of \$381,631, or 10%.

	Governmental activities	
	2012	2011
General obligation bonds	\$ 3,100,000	3,420,000
Tax increment financing agreement	56,045	112,011
Risk under loan guarantee	303,652	309,317
Total	<u>\$ 3,459,697</u>	<u>3,841,328</u>

State statutes limit the amount of general obligation debt a government entity may issue to 5% of its total assessed valuation. As of June 30, 2012, the City's legal additional debt margin was \$6,234,010.

More detailed information about the City's long-term debt is presented in Note 3C to the financial statements.

Economic Factors and Next Year's Budget and Rates

During the state legislative session in 2004, the legislature permanently eliminated certain state funding to local governments starting in the year ended June 30, 2005 and will continue in the future. This along with the continuation of the state rollback on residential properties greatly affects the City's general operating fund.

The City has been helped by the new Hotel/Motel tax and the PA Gaming Corporation allocations made annually to the City that can be used for capital improvements. However, the PA Gaming Corporation allocations cannot be used for ongoing operating expenses or to fund operating deficits.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2013 are provided below:

General levy	\$	8.10
Liability, property & self insurance		0.67
Instrumental/vocal music levy		0.14
Emergency levy		0.27
Employee benefit levy		4.00
Debt service levy		0.68
Total	\$	<u>13.86</u>

The tax levy rate per \$1,000 of taxable valuation for Agricultural Land is \$3.00.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator's Office at 2021 Main, Emmetsburg, Iowa. You can also contact the City Administrator's Office for a separately issued report on the component units. That report is for the gas, water and sanitation departments known as "Emmetsburg Municipal Utilities".

John Bird
City Administrator

City of Emmetsburg, Iowa
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 3,148,407	541,824	3,690,231
Investments	2,352	-	2,352
Receivables, net of allowance for uncollectible amounts:			
Property taxes	1,523,371	-	1,523,371
Tax increment financing	3,697	-	3,697
Special assessments	308,056	-	308,056
Accounts and other	23,715	3,140	26,855
Current portion of notes receivable	-	-	-
Current portion of primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Other	-	-	-
Due from primary government	-	-	-
Due from component unit	275,323	38,552	313,875
Due from other governments	199,414	-	199,414
Inventories	26,684	7,676	34,360
Prepays and other assets	-	8,630	8,630
Restricted assets:			
Cash	-	-	-
Notes receivable	-	-	-
Due from primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Loan fees (net of \$13,445) amortization)	-	-	-
Capital assets:			
Land, land improvements and construction in progress	178,725	29,574	208,299
Other capital assets, net of accumulated depreciation	9,892,770	100,730	9,993,500
Total assets	15,582,514	730,126	16,312,640
LIABILITIES			
Accounts payable	206,189	16,495	222,684
Accrued liabilities	6,480	2,578	9,058
Deferred revenue	1,875	-	1,875
Interest payable on bonds and other long-term debt	20,582	-	20,582
Due to primary government	-	-	-
Due to component unit	1,840	-	1,840
Customer deposits	-	-	-
Compensated absences	83,630	8,589	92,219
Long-term liabilities:			
Succeeding year unearned revenue	1,498,378	-	1,498,378
Due to component unit-Urban Renewal Tax Increment Revenue Bond	22,525	-	22,525
Portion due or payable within one year:			
Bonds and other payables	516,062	-	516,062
Portion due or payable after one year:			
Bonds and other payables	2,981,034	-	2,981,034
Total liabilities	5,338,595	27,662	5,366,257
NET ASSETS			
Invested in capital assets, net of related debt	6,574,399	130,304	6,704,703
Restricted:			
Expendable for:			
Capital improvements	1,097,307	-	1,097,307
TIF	17,224	-	17,224
State and grant purposes	210,944	-	210,944
Donor restrictions	14,300	-	14,300
Debt service	279,879	-	279,879
Nonexpendable for:			
Perpetual care	70,495	-	70,495
Unrestricted	1,979,371	572,160	2,551,531
Total net assets	\$ 10,243,919	702,464	10,946,383

See notes to financial statements

Component Units		
Gas Utility	Water Utility	Sanitation Utility
4,359,359	805,085	265,353
-	-	-
(12,724)	54,176	54,406
-	-	-
-	-	-
-	-	-
278	1,524	-
7,237	-	-
1,247	1,454	1,454
4,471	6,977	7,492
40	50	178
-	-	-
-	-	-
-	-	-
6,005	16,636	19,472
59,649	13,400	-
1,973	-	-
5,510	6,430	6,430
-	22,750	14,205
1,039	67,067	84,542
623,726	4,632,130	5,649,207
5,057,810	5,627,679	6,102,739
25,647	7,449	1,810
4,651	-	-
-	-	-
9,662	5,220	3,555
36,980	137,661	137,661
-	-	-
59,649	13,400	-
3,120	5,450	1,886
-	-	-
-	-	-
6,007	122,000	88,000
297,645	1,966,000	1,334,000
443,361	2,257,180	1,566,912
321,113	2,611,197	4,311,749
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
4,293,336	759,302	224,078
4,614,449	3,370,499	4,535,827

City of Emmetsburg, Iowa
Statement of Activities
For the Year Ended June 30, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
Public safety	\$ 628,181	11,597	4,797	-
Public works	1,024,693	-	339,961	215,283
Culture and recreation	668,193	120,206	32,559	197,359
Community and economic development	162,813	660	-	86,382
General government	379,905	-	-	-
Interest on long-term debt and related fees	116,774	-	-	-
Capital outlay not included in capital assets	380,950	-	-	-
Total governmental activities	<u>3,361,509</u>	<u>132,463</u>	<u>377,317</u>	<u>499,024</u>
Business-type activities:				
Solid Waste	409,459	454,868	-	-
Cemetery	34,969	16,300	-	-
Total business-type activities	<u>444,428</u>	<u>471,168</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 3,805,937</u>	<u>603,631</u>	<u>377,317</u>	<u>499,024</u>
Component units				
Gas Utility	\$ 1,334,438	1,635,214	-	-
Water Utility	669,523	610,557	-	-
Sanitation Utility	681,689	642,359	-	-
Total component units	<u>\$ 2,685,650</u>	<u>2,888,130</u>	<u>-</u>	<u>-</u>
General revenues:				
Property taxes and assessments				
Tax increment financing				
Local option sales tax				
Hotel/motel taxes				
Use of money and property				
Miscellaneous				
Gain on disposal of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

Note to statement of activities:

The City is dredging Five Island Lake that belongs to the State of Iowa. The City budgets the expenditure as a capital outlay; however, the City does not include the cost of the dredging in its capital assets, because it doesn't own the lake and most of the lake is outside the City limits. Therefore, capital outlay is shown as an expenditure on this statement.

The City owns the assets used for the dredging project and those assets are recorded in capital assets on the Statement of Net Assets.

The City also budgets in capital projects assets for nonprofits that the City does not own.

The City also budgets in capital projects non capital assets.

See notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Gas Utility	Water Utility	Sanitation Utility
(611,787)	-	(611,787)	-	-	-
(469,449)	-	(469,449)	-	-	-
(318,069)	-	(318,069)	-	-	-
(75,771)	-	(75,771)	-	-	-
(379,905)	-	(379,905)	-	-	-
(116,774)	-	(116,774)	-	-	-
(380,950)	-	(380,950)	-	-	-
<u>(2,352,705)</u>	<u>-</u>	<u>(2,352,705)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	45,409	45,409	-	-	-
-	(18,669)	(18,669)	-	-	-
-	<u>26,740</u>	<u>26,740</u>	-	-	-
<u>(2,352,705)</u>	<u>26,740</u>	<u>(2,325,965)</u>	-	-	-
-	-	-	300,776	-	-
-	-	-	-	(58,966)	-
-	-	-	-	-	(39,330)
-	-	-	<u>300,776</u>	<u>(58,966)</u>	<u>(39,330)</u>
\$ 1,876,173	-	1,876,173	-	-	-
251,356	-	251,356	-	-	-
342,803	-	342,803	-	-	-
121,672	-	121,672	-	-	-
53,338	1,462	54,800	10,117	2,697	1,325
756,216	5,890	762,106	-	-	-
5,000	-	5,000	-	-	-
84,439	11,000	95,439	(73,901)	(10,769)	(10,769)
<u>3,490,997</u>	<u>18,352</u>	<u>3,509,349</u>	<u>(63,784)</u>	<u>(8,072)</u>	<u>(9,444)</u>
1,138,292	45,092	1,183,384	236,992	(67,038)	(48,774)
9,105,627	657,372	9,762,999	4,377,457	3,437,537	4,584,601
<u>\$ 10,243,919</u>	<u>702,464</u>	<u>10,946,383</u>	<u>4,614,449</u>	<u>3,370,499</u>	<u>4,535,827</u>

City of Emmetsburg, Iowa
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Special Revenue		Capital Projects	
		Road Use Tax Fund	Wild Rose Allocation Fund	Monroe Street Fund	
ASSETS					
Cash	\$ 855,626	260,081	501,253	93,727	
Investments	-	-	-	-	
Receivables, net of allowance for uncollectible amounts:					
Property taxes	16,360	-	-	-	
Tax increment financing	-	-	-	-	
Special assessments	-	-	-	-	
Accounts	3,191	-	2,907	-	
Other	350	-	-	-	
Due from other funds	496	-	-	-	
Due from Component Unit	-	-	-	-	
Due from other governments	29,637	-	-	-	
Inventories	24,594	-	-	-	
Total assets	<u>\$ 930,254</u>	<u>260,081</u>	<u>504,160</u>	<u>93,727</u>	
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts and contracts payable	\$ 86,415	62,050	-	6,237	
Accrued liabilities	4,867	1,614	-	-	
Deferred revenue	-	-	-	-	
Compensated absences - current	60,415	20,311	-	-	
Due to other funds	-	-	-	-	
Due to Component unit	1,840	-	-	-	
Total liabilities	<u>153,537</u>	<u>83,975</u>	<u>-</u>	<u>6,237</u>	
FUND BALANCES					
Nonspendable	24,594	-	-	-	
Restricted	-	176,106	504,160	87,490	
Committed	124,749	-	-	-	
Assigned	215,471	-	-	-	
Unassigned	411,903	-	-	-	
Total fund balances	<u>776,717</u>	<u>176,106</u>	<u>504,160</u>	<u>87,490</u>	
Total liabilities and fund balances	<u>\$ 930,254</u>	<u>260,081</u>	<u>504,160</u>	<u>93,727</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$3,518,268.

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.

Long-term special assessments receivable are not considered available to pay for current period's expenditures and reported as deferred revenues in the funds.

Accrued interest payable, is not due and payable in the current period and, therefore, is not reported in the funds.

Urban Renewal Tax Increment Revenue Bond payable to Emmetsburg Municipal Utilities is not reported in the fund statements.

Bonds payable and contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds, net of unamortized (premium) and discount of \$(37,377).

Net assets of governmental activities

See notes to financial statements

Other Governmental Funds	Total Governmental Funds
1,437,720	3,148,407
2,352	2,352
8,633	24,993
3,697	3,697
308,056	308,056
-	6,098
17,267	17,617
-	496
275,323	275,323
164,618	194,255
2,090	26,684
<u>2,219,756</u>	<u>4,007,978</u>

51,487	206,189
-	6,481
309,931	309,931
2,904	83,630
496	496
-	1,840
<u>364,818</u>	<u>608,567</u>

72,585	97,179
721,986	1,489,742
734,659	859,408
322,530	538,001
3,178	415,081
<u>1,854,938</u>	<u>3,399,411</u>
<u>2,219,756</u>	

10,071,495

5,159

308,056

(20,582)

(22,524)

(3,497,096)

\$ 10,243,919

City of Emmetsburg, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

		Special Revenue	Capital Projects	
	General Fund	Road Use Tax Fund	Wild Rose Allocation Fund	Monroe Street Fund
Revenues:				
Property taxes and assessments	\$ 958,675	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	187,437	-	-	-
Licenses and permits	16,640	-	-	-
Use of money and property	48,296	-	1,109	1,139
Intergovernmental	35,068	339,961	-	-
Charges for services	131,803	-	-	-
Special Assessments	-	-	-	72,828
Fines and forfeitures	11,445	-	-	-
Miscellaneous	183,096	17	161,361	750
Total revenues	1,572,460	339,978	162,470	74,717
Expenditures:				
Current:				
Public safety	630,120	-	-	-
Public works	395,003	413,562	-	-
Culture and recreation	603,256	-	-	-
Community and economic development	133,126	-	-	-
General government	375,332	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	1,392,295
Total expenditures	2,136,837	413,562	-	1,392,295
Excess (deficiency) of revenues over (under) expenditures	(564,377)	(73,584)	162,470	(1,317,578)
Other financing sources (uses):				
Transfers in	732,667	157,911	11,000	-
Transfers out	(34,697)	-	(53,443)	-
Total other financing sources (uses)	697,970	157,911	(42,443)	-
Net change in fund balances	133,593	84,327	120,027	(1,317,578)
Fund balances, beginning	643,124	91,779	384,133	1,405,068
Fund balances, ending	\$ 776,717	176,106	504,160	87,490

See notes to financial statements

Other Governmental Funds	Total Governmental Funds
505,029	1,463,704
251,356	251,356
149	187,586
-	16,640
2,794	53,338
853,141	1,228,170
660	132,463
12,683	85,511
-	11,445
382,910	728,134
<u>2,008,722</u>	<u>4,158,347</u>
-	630,120
-	808,565
30,742	633,998
28,824	161,950
-	375,332
498,647	498,647
706,837	2,099,132
<u>1,265,050</u>	<u>5,207,744</u>
<u>743,672</u>	<u>(1,049,397)</u>
705,156	1,606,734
<u>(1,434,155)</u>	<u>(1,522,295)</u>
<u>(728,999)</u>	<u>84,439</u>
14,673	(964,958)
1,840,265	4,364,369
<u>1,854,938</u>	<u>3,399,411</u>

City of Emmetsburg, Iowa
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

Net change in fund balances - total governmental	\$ (964,958)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while Governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Net acquisition of capital assets	1,892,750
Depreciation expense	(428,388)

The net effect of trade-ins, increase of net assets:

Gain on trade in of capital assets	5,000
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Because some revenues will not be collected for several months after the City's year end, they are not considered available revenue and are deferred in the governmental funds, as follows:

Local option sales tax	(9,025)
Hotel/motel taxes	(15,542)

The change in long-term special assessments receivable is shown as deferred revenue in the funds and revenue in the government- wide statements

276,582

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statemet of Net Assets

Repaid	385,625
Accrued interest	(6,134)
Amortization of premium on refunding notes	6,360
Amortization of discount on general obligation bonds	(3,978)

Change in net assets of governmental activites	\$ <u>1,138,292</u>
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See notes to financial statements

City of Emmetsburg, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
ASSETS			
Current assets:			
Cash	\$ 517,157	24,667	541,824
Other receivables	3,078	62	3,140
Inventories	7,676	-	7,676
Prepaid insurance	8,630	-	8,630
Due from component unit	38,552	-	38,552
Total current assets	<u>575,093</u>	<u>24,729</u>	<u>599,822</u>
Capital assets:			
Land and improvements	-	29,574	29,574
Buildings	28,509	52,882	81,391
Equipment and vehicles	243,921	7,034	250,955
Accumulated depreciation	(212,198)	(19,418)	(231,616)
Total capital assets	<u>60,232</u>	<u>70,072</u>	<u>130,304</u>
Total assets	<u>635,325</u>	<u>94,801</u>	<u>730,126</u>
LIABILITIES			
Current liabilities:			
Accounts payable	15,835	660	16,495
Other payables	2,578	-	2,578
Compensated absences - due within one year	8,557	32	8,589
Total current liabilities	<u>26,970</u>	<u>692</u>	<u>27,662</u>
NET ASSETS			
Invested in capital assets, net of related debt	60,232	70,072	130,304
Unrestricted	548,123	24,037	572,160
Total net assets	<u>\$ 608,355</u>	<u>94,109</u>	<u>702,464</u>

See notes to financial statements

City of Emmetsburg, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Asset
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
Operating revenues:			
Charges for services	\$ 454,868	16,300	471,168
Other	1,710	4,180	5,890
Total operating revenues	456,578	20,480	477,058
Operating expenses:			
Personal services	176,205	1,486	177,691
Contractual services	176,835	21,567	198,402
Supplies and equipment	28,082	9,532	37,614
Depreciation	28,337	2,384	30,721
Total operating expenses	409,459	34,969	444,428
Operating income (loss)	47,119	(14,489)	32,630
Nonoperating revenues (expenses):			
Interest revenue	1,220	242	1,462
Total nonoperating revenues (expenses)	1,220	242	1,462
Income before transfers	48,339	(14,247)	34,092
Transfers in	-	11,000	11,000
Change in net assets	48,339	(3,247)	45,092
Net assets, beginning	560,016	97,356	657,372
Net assets, ending	\$ 608,355	94,109	702,464

See notes to financial statements

City of Emmetsburg, Iowa
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 449,162	20,479	469,641
Payments to suppliers	(192,510)	(30,816)	(223,326)
Payments to employees	(173,272)	(1,454)	(174,726)
Net cash provided by (used in) operating activities	83,380	(11,791)	71,589
Transfers from other funds	-	11,000	11,000
Net cash provided by (used in) noncapital financing activities	-	11,000	11,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	1,220	242	1,462
Net increase (decrease) in cash	84,600	(549)	84,051
CASH BALANCES, Beginning	432,557	25,216	457,773
CASH BALANCES, Ending	\$ 517,157	24,667	541,824
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 47,119	(14,489)	32,630
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	28,337	2,384	30,721
Change in assets and liabilities:			
(Increase) decrease in:			
Customer and other receivables	(3,078)	(1)	(3,079)
Inventories	2,125	-	2,125
Prepaid insurance	(909)	-	(909)
Due from component unit	(4,227)	-	(4,227)
Increase (decrease) in accounts payable, accrued and other liabilities	14,013	315	14,328
Net cash provided by operating activities	\$ 83,380	(11,791)	71,589

See notes to financial statements

**CITY OF EMMETSBURG, IOWA
NOTES TO FINANCIAL STATEMENTS
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Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Emmetsburg is a municipal corporation governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. The discretely presented gas, water, and sanitation utilities each have a June 30 year end.

Discretely Presented Component Units. The gas, water, and sanitation utilities serve all the citizens of the City and are governed by a five-member board appointed by the mayor of the City of Emmetsburg. The rates for user charges and bond issuance authorizations are approved by the City Council, and the legal liability for the general obligation portion of the Utilities' debt remains with the City.

Complete financial statements for the Utilities may be obtained at the administrative offices.

Emmetsburg Municipal Utilities
2021 Main Street
Emmetsburg, Iowa 50536

Jointly Governed Organizations. The City also participates in a jointly governed organization for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. The Mayor and Police Chief are members of the Palo Alto County Joint E911 Service Board. The City also participates with Iowa Lakes Community College in the operation of the community library and wellness center. The City has recorded its share of the expense in the governmental fund. The community wellness center and library is an asset of the College and its audit is included in the college audit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain separate component units for which the primary government is financially accountable.

The statement of net assets presents the assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are, aggregated and reported as other governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest, fines and forfeitures, and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the

City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met, and the criteria for accrual has been met.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *road use tax fund* accounts for state revenues allocated to the City to be used to maintain and improve the City's streets.

The *Wild Rose allocation fund* accounts for allocations from Wild Rose Emmetsburg, L.L.C. from casino operations. The proceeds are used for capital projects.

The *Monroe Street fund* accounts for the Improvements to Monroe Street.

The City reports the following major proprietary funds:

The *solid waste fund* accounts for the City garbage collection.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments between the government's component unit. Elimination of the charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes use of money and property and miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the solid waste fund and cemetery funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City and the Utility to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. Investments of the City and Utility are reported at fair value. Due to legal and budgetary reasons, the General Fund is assigned a portion of the investment earnings associated with the Road Use Tax Fnd. The Cemetery Fund is assigned the investment earnings associated with the Cemetery Perpetual Care Fund. Due to budgetary and policy reasons the General Fund is assigned a portion of the investment earnings associated with the Employee Benefit Fund, Capital Improvements Revolving Fund and the Lake Project Fund. The City transfers the interest from the General Fund to the Lake Project Fund in the form of a transfer.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City uses the direct write off method that does not materially differ from generally accepted accounting principles.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2012, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2011 and March 31, 2012. On July 1, 2011 the taxes were levied by the County and became an enforceable lien against property. Any County collections on the 2011-2012 tax levy remitted to the City within sixty days subsequent to June 30, 2012, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2012, are delinquent but have not been recorded as receivables and deferred revenue due to their immateriality.

By statute, the City is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal

year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

3. *Inventories and Prepaid Items*

Inventories in the governmental fund types are valued at cost using the first-in/first-out method. The costs of governmental fund type inventories (materials and supplies) are recognized as expenditures when consumed (actually used).

Inventories in the proprietary fund types are valued at the lower of first-in/first-out cost or market. The cost of proprietary fund type inventories are recognized as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are defined by the government as equipment with initial, individual cost of \$1,000 or greater or a purchase of land, land improvements, building, or infrastructure with a value of \$5,000 or greater and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City did not maintain a capital assets record prior to the adoption of GASB 34. The City estimated the cost of buildings, equipment, vehicles and accumulated depreciation based on approximate date of purchase. Land related to parks, airport etc. has not been estimated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are not included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Machinery and equipment	5-15 years
Vehicles	5-10 years
Improvements	15-20 years
Infrastructure	25-40 years
Buildings	20-50 years

5. *Compensated Absences*

City employees accumulate vacation and comp-time hours for subsequent use or for payment upon termination, death, or retirement. Earned vacation pay may be paid upon termination of employment. The liability for compensated absences is recorded as current in the government-wide statements since historical trends indicate none are long-term.

The compensated absence liability has been computed based on rates of pay in effect on June 30, 2012.

6. *Long-term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund Equity*

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts not included in other spendable classifications reported.

The City would typically use Restricted fund balances first, followed by Committed resources, and the Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

As of June 30, 2012, fund balances are composed of the following:

<u>Fund Balance</u> <u>Classification</u>	<u>Purpose</u>	<u>Fund</u>	<u>Amount</u>
Nonspendable	Inventory	General	\$ 24,594
		Non-major Governmental	2,090
	Cemetery perpetual care	Non-major Governmental	70,495
			<u>\$ 97,179</u>
Restricted	Road Use Tax	Road Use Tax	\$ 176,106
	Wild Rose (casino) allocation	Wild Rose allocation	504,160
	Street reconstruction	Monroe Street	87,490
	Debt service	Non-major Governmental	279,879
	Employee Benefit payments	Non-major Governmental	34,838
	Tax increment financing	Non-major Governmental	17,224
	School reunion	Non-major Governmental	1,343
	Make a difference day	Non-major Governmental	34
	Fireworks	Non-major Governmental	11,922
	Economic and community development	Non-major Governmental	1,001
	Safe routes to school	Non-major Governmental	50
	Housing rehabilitation	Non-major Governmental	40,752
	Gaming proceeds for capital improvements	Non-major Governmental	26,933
	Sewer improvements	Non-major Governmental	33,278
	Airport improvements	Non-major Governmental	67,876
	Dredging Five Island Lake	Non-major Governmental	206,856
			<u>\$ 1,489,742</u>
Committed	Economic development	General	\$ 25,689
	Hotel Motel Tax	General	99,060
	Local Option Sales Tax	Non-major Governmental	358,478
	Community center	Non-major Governmental	303,514
	Holiday decorations	Non-major Governmental	3,695
	Lake donations	Non-major Governmental	10,333
	Library	Non-major Governmental	22,675
	Playgrounds	Non-major Governmental	1,097
	Economic and community expenditures	Non-major Governmental	4,790
	Revolving loan fund	Non-major Governmental	17,137
	Community beautification	Non-major Governmental	12,940
			<u>\$ 859,408</u>

<u>Fund Balance Classification</u>	<u>Purpose</u>	<u>Fund</u>	<u>Amount</u>
Assigned	Funds to cover revenue short-falls	General	\$ 200,000
	Vehicle inspection	General	2,161
	Police reserve	General	7,417
	Tobacco compliance	General	1,915
	Museum-Victorian house	General	3,788
	Airport	General	190
	Swimming pool	Non-major Governmental	62
	Flag football	Non-major Governmental	300
	Capital improvements revolving funds	Non-major Governmental	176,403
	Future Railroad projects	Non-major Governmental	27,835
	Kearny Park improvements	Non-major Governmental	61,550
	Sewell Park	Non-major Governmental	56,380
			<u>\$ 538,001</u>

Funds to cover revenue short-falls is assigned by resolution to cover the City revenue during periods it does not receive property taxes. Property taxes are primarily received in the spring and in the fall.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary information

The City prepares and adopts an annual budget on a function basis for the City as a whole, rather than at the fund level, as prescribed by Iowa statutes. The State of Iowa mandates that annual budgets for the fiscal year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. The review and adoption of the budget for the City is in accordance with state laws and City budget procedures as stated in City Code, recodified November 1971, and amended by ordinance adoption thereafter. Budget proposals for all operating department requests are conducted by the Finance Officer who prepares, for the Council's consideration, a preliminary budget during the month of February of each year for the coming fiscal year. The budget proposal presented to the City Council by the Mayor and City Clerk is a complete financial plan for the upcoming fiscal year. The City Council holds various budget meetings with the Mayor, Finance Officer, City Clerk, department heads, and boards and commissions, as well as holding a public hearing prior to adopting the budget. The Council adopts the budget by resolution and certifies it to the County Auditor by the 15th of March preceding the beginning of the fiscal year. This budget becomes the appropriation for operations of the City.

The adopted budget presents expenditures in eight functions - Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-type Activities. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the function level. Appropriations as adopted lapse at the end of the fiscal year.

Amendments to the City budget are considered annually as funding sources are available. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council. An additional levy of property taxes is not allowed, by state law. The City budget for the current year may be amended for any of the following purposes:

- To permit the appropriation and expenditure of unexpended, unencumbered fund balances on hand at the end of the preceding fiscal year.
- To permit the appropriation and expenditure of amounts anticipated being available from sources other than property taxation.
- To permit transfers between funds as prescribed by state law.
- To permit transfers between functions.

The Council adopts the amended budget by resolution and certifies it to the County Auditor by May 31 of the budget year. The amended budget becomes the appropriation for operations of the City. The City Council adopted one budget amendment resolutions during the year ended June 30, 2012.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., contracts) outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Due to the emphasis placed on monitoring budgets, as a result of limited resources to provide City services, major classifications such as personal services, capital outlays, contractual services, and commodities are monitored throughout the year by the Finance Director.

Monthly reports are prepared by department and activity. Any major deviations must be approved by the City Council. While the legal level of control is the program level of expenditure, departments are responsible for not expending more than the amount of the appropriation for each activity within their area of responsibility, unless approved by the City Council.

The City budgets all revenues, expenditures and expenses, and interfund and intrafund transfers on the modified accrual basis. The budget amounts included in this report are the final modified accrual basis budget for the year for all funds. Budgeted interfund transfers and intrafund transfers have been eliminated in the statement of budgetary comparison schedule of revenues, expenditures/expenses and changes in fund balances - budget and actual.

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the General Fund and most of the special revenue funds, unexpended budgeted amounts lapse at the end of the budget year.

Note 3. Detailed Notes on All Funds

A. Deposits and investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City received as a donation insured registered corporate stock with a book value of \$2,041. No determination of the market value of this stock has been made; however, any market difference is not deemed material.

The City had no investments meeting the disclosure requirements, of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk: The City's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit risk: The City's investment policy does not allow investments in commercial paper and other corporate debt. The City did not invest in any commercial paper or other corporate debt during the year.

Concentration of credit risk: The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its

investments or collateral securities that are in the possession of an outside party. The City did not hold any investments during the year other than the donated shares discussed above.

The component units' deposits were entirely covered by Federal depository insurance and by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there is no loss of public funds.

B. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government

Governmental activities:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Asset costs				
Land and land improvements	\$ 32,462	78,807	-	111,269
Machinery and equipment,				
Vehicles	3,092,530	155,497	(14,380)	3,233,647
Buildings	1,148,319	145,795	-	1,294,114
Infrastructure	6,617,671	1,572,294	692,810	8,882,775
Construction in progress	815,412	11,561	(759,015)	67,958
Total asset costs	<u>11,706,394</u>	<u>1,963,954</u>	<u>(80,585)</u>	<u>13,589,763</u>
Less accumulated depreciation				
Land and land improvements	251	251	-	502
Machinery and equipment,				
Vehicles	1,924,521	188,969	(14,380)	2,099,110
Buildings	438,026	34,044	-	472,070
Infrastructure	741,462	205,124	-	946,586
Total accumulated depreciation	<u>3,104,260</u>	<u>428,388</u>	<u>(14,380)</u>	<u>3,518,268</u>
Governmental activities, capital assets, net	<u>\$ 8,602,134</u>	<u>1,535,566</u>	<u>(66,205)</u>	<u>10,071,495</u>

Business- type activities:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Asset costs				
Land and land improvements	\$ 29,574	-	-	29,574
Machinery and equipment,				
Vehicles	250,955	-	-	250,955
Buildings	81,391	-	-	81,391
Total asset costs	<u>361,920</u>	<u>-</u>	<u>-</u>	<u>361,920</u>
Less accumulated depreciation				
Land and improvements	5,002	1,022	-	6,024
Machinery and equipment,				
Vehicles	181,473	27,549	-	209,022
Buildings	14,420	2,150	-	16,570
Total accumulated depreciation	<u>200,895</u>	<u>30,721</u>	<u>-</u>	<u>231,616</u>
Business- type assets, net	<u>\$ 161,025</u>	<u>(30,721)</u>	<u>-</u>	<u>130,304</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Public safety	\$ 38,796
Public works	293,434
Culture and recreation	87,873
Community and economic development	863
General government	7,422
Total depreciation expense - governmental activities	<u>\$ 428,388</u>

Business-type activities:

Solid Waste	\$ 28,337
Cemetery	2,384
Total depreciation expense - business-type activities	<u>\$ 30,721</u>

The City has no active construction projects as of June 30, 2012. The following is included in construction in progress:

	Project Authorization	Expensed to Date	Remaining Commitment
CDBG sewer project placed on hold	\$ -	16,604	-
Crushed rock for future street project	-	40,879	-
Community center initial costs	-	10,000	-
Kearney Park	-	475	-
	<u>\$ -</u>	<u>67,958</u>	<u>-</u>

Discretely Presented Component Units

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Gas department:				
Land	\$ 1,039	-	-	1,039
Structures and plant	340,055	660	-	340,715
Distribution system	1,135,609	-	-	1,135,609
Equipment, meters and mains	891,786	23,992	-	915,778
total asset costs	<u>2,368,489</u>	<u>24,652</u>	<u>-</u>	<u>2,393,141</u>
Less accumulated depreciation	<u>(1,714,375)</u>	<u>(54,001)</u>	<u>-</u>	<u>(1,768,376)</u>
Gas department assets, net	<u>\$ 654,114</u>	<u>(29,349)</u>	<u>-</u>	<u>624,765</u>
Water Department:				
Land	\$ 67,067	-	-	67,067
Structures and plant	4,638,512	337,661	-	4,976,173
Distribution system	1,839,155	19,931	-	1,859,086
Equipment, meters and mains	655,167	35,775	(1,775)	689,167
total asset costs	<u>7,199,901</u>	<u>393,367</u>	<u>(1,775)</u>	<u>7,591,493</u>
Less accumulated depreciation	<u>(2,655,375)</u>	<u>(237,425)</u>	<u>504</u>	<u>(2,892,296)</u>
	<u>4,544,526</u>	<u>155,942</u>	<u>(1,271)</u>	<u>4,699,197</u>
Construction in progress	75,078	-	(75,078)	-
Water department assets, net	<u>\$ 4,619,604</u>	<u>155,942</u>	<u>(76,349)</u>	<u>4,699,197</u>
Sanitation Department:				
Land	\$ 84,542	-	-	84,542
Structures and plant	5,544,543	540,951	-	6,085,494
Distribution system	2,869,215	-	-	2,869,215
Equipment, meters and mains	609,789	42,449	(1,775)	650,463
total asset costs	<u>9,108,089</u>	<u>583,400</u>	<u>(1,775)</u>	<u>9,689,714</u>
Less accumulated depreciation	<u>(3,710,005)</u>	<u>(246,463)</u>	<u>503</u>	<u>(3,955,965)</u>
	<u>5,398,084</u>	<u>336,937</u>	<u>(1,272)</u>	<u>5,733,749</u>
Construction in progress	50,682	-	(50,682)	-
Sanitation department assets, net	<u>\$ 5,448,766</u>	<u>336,937</u>	<u>(51,954)</u>	<u>5,733,749</u>

No detailed depreciation schedule or continuing property record is maintained. Consequently, it is impossible to use generally accepted accounting principles for retirements or abandonment of capital assets. Salaries paid for plant investment have been expensed at the time of payment. Vehicle expense and overhead related to construction is not capitalized. Under generally accepted accounting principles, salaries, vehicle expenses and overhead should be capitalized.

C. Long-term Debt

General Obligation Bonds

Unmatured general obligation bonds totaling \$3,497,096 net of unamortized premium, unamortized discount and unamortized deferred amount on refunding, are outstanding as of June 30, 2012. These bonds bear interest with rates ranging from 1.00% to 4.50%, mature in varying annual amounts through June 1, 2020; and were originally issued for \$3,900,000. Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2013	\$ 475,000	84,420
2014	480,000	72,230
2015	450,000	59,545
2016	335,000	47,550
2017	350,000	38,530
2018-2021	1,010,000	69,345
Total	<u>\$ 3,100,000</u>	<u>371,620</u>

Tax Increment Financing Agreements

An Emmetsburg, Iowa company has constructed public infrastructure located in the North Urban Renewal Area. In recognition of the companies obligation the City agreed to make payments on December 1 and June 1 of each fiscal year, beginning December 1, 2004, and continuing on nine additional fiscal years there after, or until the total principal of \$300,000 has been paid, whichever occurs first. Incremental property taxes are produced by multiplying the consolidated property tax levy times the incremental valuation of the property, then subtracting debt service levies of all taxing jurisdictions, subtracting the school district physical plant and equipment levy and subtracting any other levies, which may be exempt from such calculation by action of the Iowa General assembly. Future years payment amounts are unknown. \$56,045 remains outstanding as of June 30, 2012.

A Palo Alto County Company has constructed public infrastructure located in the South Urban Renewal Area. In recognition of the Company's obligation the City agreed to make ten semi-annual tax increment payments in the aggregate principal amount of \$105,000 plus interest at 8.30% per annum, maturing June 1, 2012.

Risk under loan guarantee

The City is obligated under a 50% loan liability guarantee related to the financing for the purchase of 58 acres of land for a business park by the Emmetsburg Community Development Corporation

(ECDC). The guarantee is for 50% of a \$685,000 direct and indirect loan from USDA Rural Development and Iowa Trust and Savings Bank, including 50% of interest due on those loans. During the year ended June 30, 2010, ECDC was unable to service the debt and the City assumed \$316,347 of the loan, which was recorded as expense in the community and economic development program in the statement of activities. The Emmetsburg Community Development Corporation (ECDC) is still the primary obligor of the loans. There was no default by ECDC because the City and Emmetsburg Municipal Utilities made the loan payments under the loan guarantee agreement. The loans under the guarantee are as follows:

\$485,000 USDA Rural Development, due in annual payments of \$699 - \$27,055 to November 7, 2040 and interest at 4.125%. The loan balance at June 30, 2012 totaled \$216,147.

\$200,000 Iowa Trust and Savings Bank, due in annual payments of \$4,323 - \$16,430 to November 5, 2032 and variable interest at 6.75%. The loan balance at June 30, 2012 totaled \$87,505.

Annual debt service requirements to maturity for Risk under loan guarantee are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2013	\$ 6,062	14,808
2014	6,367	14,504
2015	6,687	14,183
2016	7,025	13,845
2017	7,381	13,489
2018-2021	270,130	164,723
Total	<u>\$ 303,652</u>	<u>235,552</u>

Future payments on these two loans, if any, made by ECDC will be recorded as income in the statement of activities.

As of June 30, 2012, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Estimated Actual valuation of taxable property with the City	<u>\$ 186,680,190</u>
Debt limit - 5% of total actual valuation	\$ 9,334,010
Debt applicable to debt limit:	
General obligation bonds	<u>3,100,000</u>
Legal debt margin	<u>\$ 6,234,010</u>

All tax-exempt debt issued by the City is subject to IRS arbitrage rebate unless the City meets the \$5 million small issuers exemption in a given year. As of June 30, 2012, the City had no arbitrage liability.

Debt Summary

Following is a summary of the City's debt transactions for the year ended June 30, 2012, and the total bonded indebtedness of the City as of that date.

	Date of Issue	Balance July 1, 2011	Incurred/ Issued	Redeemed/ Issued	Balance June 30, 2012
Governmental Activities:					
<u>General obligation bonds:</u>					
\$670,000 street improvement	2006	\$ 435,000	-	(65,000)	370,000
\$1,760,000 corporate purpose and refunding notes, series 2010	2010	1,515,000	-	(255,000)	1,260,000
\$1,470,000 corporate purpose bonds, series 2011	2011	1,470,000	-	-	1,470,000
		3,420,000		(320,000)	3,100,000
Add unamortized premium		56,704	-	(6,360)	50,344
Less unamortized discount		7,208	-	(1,218)	5,990
Less unamortized deferred amount on refunding		9,715	-	(2,760)	6,955
		3,459,781	-	(322,382)	3,137,399
<u>Tax increment financing:</u>					
Medium lake development	2003	91,011	-	(34,966)	56,045
Housing development	2006	21,000	-	(21,000)	-
		112,011	-	(55,966)	56,045
<u>Risk under loan guarantee</u>					
USDA Rural Development	2010	219,968	-	(3,820)	216,148
Iowa Trust and Savings Bank	2010	89,349	-	(1,845)	87,504
		309,317	-	(5,665)	303,652
Governmental activity total					
Long - term debt		\$ 3,881,109	-	(384,013)	3,497,096

Component Unit Debt Information:

Revenue Bonds and Installment Agreements – Water and Sanitation Utility

The Series 1998A, 1998B, 2005 MC60R, 2005 and 2009A revenue bonds require annual principal payments, due December 1, and semi-annual interest payments, due June 1 and December 1. Interest rates throughout the term of the bonds are 3.00%. The bonds are secured by the future net revenues of the Utility.

Risk under loan guarantee – Gas Utility

The Utilities is also obligated under a 50% loan liability guarantee related to the financing for the purchase of 58 acres of land for a business park by the Emmetsburg Community Development Corporation ("ECDC"). The guarantee is for 50% of a \$685,000 direct and indirect loan from USDA Rural Development and Iowa Trust and Savings Bank, including 50% of interest due on those loans. During fiscal 2010, ECDC was unable to service the debt and the Utilities assumed 50% of the loan liabilities, which were recorded as a non-operating risk under loan guarantee expense of \$309,317. The Emmetsburg Community Development Corporation (ECDC) is still the primary obligor of the

loans. There was no default by ECDC because the City and Emmetsburg Municipal Utilities made the loan payments under the loan guarantee agreement.

Debt Summary – Gas, Water and Sanitation Utility

Long-term debt activity for the year ended June 30, 2012 are as follows:

	Balance July 1, 2011	Incurred/ Issued	Redeemed/ Paid	Balance June 30, 2012
<u>Revenue bonds:</u>				
Water Utility:				
Series 2005	\$ 2,207,000	-	119,000	2,088,000
Sanitation Utility:				
Series 1998A	150,000	-	20,000	130,000
Series 1998B	82,000	-	10,000	72,000
Series 2005 MC60R	455,000	-	25,000	430,000
Series 2009A	822,000	-	32,000	790,000
Total revenue bonds	3,716,000	-	206,000	3,510,000
Gas Utility:				
<u>Risk under loan guarantee</u>				
USDA Rural Development	219,968	-	3,821	216,147
Iowa Trust and Savings Bank	89,349	-	1,844	87,505
Total long-term debt	\$ 4,025,317	-	211,665	3,813,652

The projected maturity of long-term debts at June 30, 2012 is as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 216,007	120,163	336,170
2014	226,350	117,421	343,771
2015	231,670	106,601	338,271
2016	240,007	99,514	339,521
2017	252,325	92,206	344,531
2018-2041	2,647,293	568,014	3,215,307
	<u>\$ 3,813,652</u>	<u>1,103,919</u>	<u>4,917,571</u>

D. Due to Component Unit

The City issued the Emmetsburg Municipal Utilities a \$40,000 Urban Renewal Tax Increment Revenue Bond dated October 11, 2006. Principal on this bond shall bear interest at the rate of 4% per annum. The bond is due in 20 equal semi-annual installments of \$2,508 each December 1 and June 1, commencing December 1, 2007. The bond matures on June 1, 2017. The June 30, 2011 balance is \$26,518.

The long-term debt due to Component Unit and due from Primary Government is as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2013	\$ 4,155	859
2014	4,323	692
2015	4,498	517
2016	4,680	336
2017	4,868	146
	<u>\$ 22,524</u>	<u>2,550</u>

E. Interfund Transactions

The following transfers represent individual fund interfund transfers as stated in the Fund Financial Statements.

Transfer To	Transfer From	Amount
General Fund	Wild Rose Allocation Fund	\$ 32,748
	Nonmajor Governmental Funds	617,018
	Component Unit	82,901
		<u>732,667</u>
Road Use Tax Fund	Nonmajor Governmental Funds	<u>157,911</u>
Wild Rose Allocation Fund	Nonmajor Governmental Funds	<u>11,000</u>
Nonmajor Governmental Funds	General Fund	34,697
	Wild Rose Allocation Fund	20,695
	Nonmajor Governmental Funds	637,226
	Component Unit	12,538
		<u>705,156</u>
	Total	<u>\$ 1,606,734</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) move debt service payments from capital projects funds or special revenue funds to the debt service fund as debt service payments come due, (3) to move Interest receipts for the lake project fund for interest earned on

its investments and deposited in the general fund by City policy, and (4) to move funds to and from various capital projects funds for the purchase or construction of new capital assets.

F. Interfund Balances

Individual interfund receivables and payable balances by fund type as of June 30, 2012 were stated in the fund financial statements as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 496	-
Nonmajor Governmental Funds	-	496
	<u>\$ 496</u>	<u>496</u>

Note 4. Other Notes

A. Retirement Systems

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$86,550, \$76,800 and \$73,761 respectively, equal to the required contributions for each year.

Deferred Compensation Plan

The City offers a deferred compensation plan for its employees under IRS Code Section 457. The City plan is invested in ING through the Financial Center in Emmetsburg, Iowa.

B. Other Employee Benefits

The City maintains hospitalization and life insurance coverage for all of its full-time employees. The City pays all costs of the basic insurance. The City also partially self-insures a portion of the health insurance through a medical reimbursement plan. The City had no material claims incurred but not reported as of June 30, 2012.

C. Related Party Transactions

The Component Unit bills and collects for garbage and recycling services provided for by the Solid Waste Fund to its residents. During the year ended June 30, 2012, the Component Unit collected \$454,868 in fees for the Solid Waste Fund.

The amounts due from the Component Unit at June 30, 2012, were as follows:

Fund	Receivable	Payable
Primary Government:		
Debt Service Fund	\$ 275,323	-
General Fund	-	1,840
Solid Waste Fund	38,552	-
	<u>\$ 313,875</u>	<u>1,840</u>
Component Unit:		
Gas Utility	\$ 1,612	38,552
Water Utility	50	137,661
Sanitation Utility	178	137,662
	<u>\$ 1,840</u>	<u>313,875</u>

The City also conducted business transactions with one council member and one Utility board of trustee member as follows:

Council member

Steve Finer

Jensvold Motor Company	Repairs	\$ 3,521
	2012 Ford F150 Pickup	\$ 29,800

Emmetsburg Municipal Utilities board of trustee

Nick Steinkamp

KW Electric	Repairs	\$ 2,003
	Capital projects	\$152,178

D. Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

E. Other Postemployment Benefits (OPEB)

The City operates a single-employer retiree benefit plan, which provides medical/prescription drug benefits for retirees and their spouses. There are seventeen (17) active and no retired members in the plan. Participants must be age 55 or older at retirement. The benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the benefits as active employees and retirees are required to reimburse the City for any premiums paid under the plan. The contribution requirements of plan members are established and may be amended by the City.

The City did not implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions. This is a departure from Generally Accepted Accounting Principles. The amount by which this departure would affect liabilities, net assets and expenses is not reasonably determinable.

F. Governmental Accounting Standards Board Statements

The Governmental Accounting Standards Board (GASB) has issued seven statements not yet implemented by the City of Emmetsburg. The statements, which might impact the City are as follows:

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the fiscal year ending June 30, 2013. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming the measure as net position, rather than net assets.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66, *Technical Corrects – 2012*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement is an amendment of GASB Statement No. 10 and No. 62. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity.

Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25, issued June 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

City of Emmetsburg, Iowa
 Budgetary Comparison Schedule - Function Budget
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and assessments	\$ 1,460,206	1,640,205	1,463,704	176,501
Tax increment financing	252,597	252,597	251,356	1,241
Other City taxes	435,634	435,634	187,586	248,048
Licenses and permits	35,630	35,630	16,640	18,990
Use of money and property	76,605	77,605	48,584	29,021
Intergovernmental	1,921,989	2,204,047	1,248,525	955,522
Charges for services	4,426,752	4,442,252	3,365,188	1,077,064
Special assessments	141,846	141,846	132,463	9,383
Miscellaneous	58,050	63,050	825,090	(762,040)
Total revenues	<u>8,809,309</u>	<u>9,292,866</u>	<u>7,539,136</u>	<u>1,753,730</u>
Expenditures:				
Current:				
Public safety	619,903	643,044	630,120	12,924
Public works	905,675	921,610	808,565	113,045
Culture and recreation	662,874	682,526	633,998	48,528
Community and economic development	413,800	415,550	181,950	253,600
General government	380,320	385,825	375,332	10,493
Debt service	544,866	544,866	498,647	46,219
Capital projects	2,176,691	2,409,801	2,099,132	310,669
Business-type	5,011,615	5,156,615	3,130,078	2,026,537
Total expenditures	<u>10,715,744</u>	<u>11,159,837</u>	<u>8,337,822</u>	<u>2,822,015</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,906,435)</u>	<u>(1,866,971)</u>	<u>(798,686)</u>	<u>(1,068,285)</u>
Other financing sources (uses):				
General obligation bonds issued	1,035,143	1,035,143	-	(1,035,143)
Transfers in	1,715,492	1,794,813	1,617,734	(177,079)
Transfers out	<u>(1,715,492)</u>	<u>(1,794,813)</u>	<u>(1,617,734)</u>	<u>177,079</u>
Total other financing sources (uses)	<u>1,035,143</u>	<u>1,035,143</u>	<u>-</u>	<u>(1,035,143)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(871,292)</u>	<u>(831,828)</u>	<u>(798,686)</u>	<u>33,142</u>
Fund balances, beginning	<u>15,035,036</u>	<u>15,035,036</u>	<u>17,421,336</u>	<u>2,386,300</u>
Fund balances, ending	<u>\$ 14,163,744</u>	<u>14,203,208</u>	<u>16,622,650</u>	<u>2,419,442</u>

See notes to the required supplementary information.

City of Emmetsburg, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2012

Budgetary Reporting

The budget includes the Component Units budgeted figures as well as the Primary Governments budgeted figures.

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No.41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the budget basis and appropriations last a year.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital projects fund, and enterprise funds. Although the budget document presents function expenditures by fund, the legal level of control is at that aggregated function level, not by fund.

During the year, one budget amendment increased budgeted expenditures by \$444,093. These budget amendments are reflected in the final budgeted amounts.

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City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(Page 1 of 5)

	Special Revenue		
	Emergency Fund	Employee Benefit Fund	South TIF Fund
ASSETS			
Cash	\$ -	28,017	12,744
Investments	-	-	-
Receivables			
Property taxes	496	6,821	-
Tax increment financing	-	-	3,111
Special assessments	-	-	-
Other	-	-	-
Due to Component Unit	-	-	-
Due from other governments	-	-	-
Inventories	-	-	-
Total assets	<u>\$ 496</u>	<u>34,838</u>	<u>15,855</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Accrued liabilities	-	-	-
Deferred revenue	-	-	-
Compensated absences - current	-	-	-
Due to other funds	496	-	-
Total liabilities	<u>496</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	34,838	15,855
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficit)	<u>-</u>	<u>34,838</u>	<u>15,855</u>
Total liabilities and fund balances	<u>\$ 496</u>	<u>34,838</u>	<u>15,855</u>

Special Revenue

North TIF Fund	North TIF LMI Set Aside Fund	East TIF Fund	ECDC Trust Fund
-	737	64	57,578
-	-	-	2,352
-	-	-	-
554	-	32	-
-	-	-	-
-	-	-	500
-	-	-	-
-	-	-	-
554	737	96	60,430
-	-	18	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	18	-
-	-	-	-
554	737	78	14,300
-	-	-	42,590
-	-	-	362
-	-	-	3,178
554	737	78	60,430
554	737	96	60,430

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(Page 2 of 5)

	ECDC Revolving Loan Fund	Special Revenue Community Beautification Fund	LOST Fund
ASSETS			
Cash	\$ 14,067	12,994	358,478
Investments	-	-	-
Receivables	-	-	-
Property taxes	-	-	-
Tax increment financing	-	-	-
Special assessments	-	-	-
Other	3,070	-	-
Due to Component Unit	-	-	-
Due from other governments	-	-	-
Inventories	-	-	-
Total assets	<u>\$ 17,137</u>	<u>12,994</u>	<u>358,478</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	54	-
Accrued liabilities	-	-	-
Deferred revenue	-	-	-
Compensated absences - current	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>54</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	17,137	12,940	358,478
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficit)	<u>17,137</u>	<u>12,940</u>	<u>358,478</u>
Total liabilities and fund balances	<u>\$ 17,137</u>	<u>12,994</u>	<u>358,478</u>

Capital Projects

Improvement Revolving Fund	Rail Road Fund	Kearny Park Fund
176,403	20,480	61,550
-	-	-
-	-	-
-	-	-
-	7,355	-
-	-	-
-	-	-
-	-	-
<u>176,403</u>	<u>27,835</u>	<u>61,550</u>
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
-	-	-
-	-	-
176,403	27,835	61,550
-	-	-
<u>176,403</u>	<u>27,835</u>	<u>61,550</u>
<u>176,403</u>	<u>27,835</u>	<u>61,550</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(Page 3 of 5)

	Capital Projects		
	Safe Routes to School Fund	Sewell Park Fund	CDBG Housing Rehabilitation Fund
ASSETS			
Cash	\$ 50	57,765	24,946
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Tax increment financing	-	-	-
Special assessments	-	-	-
Other	-	-	-
Due to Component Unit	-	-	-
Due from other governments	-	-	30,366
Inventories	-	-	-
Total assets	<u>\$ 50</u>	<u>57,765</u>	<u>55,312</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	1,385	14,560
Accrued liabilities	-	-	-
Deferred revenue	-	-	-
Compensated absences - current	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>1,385</u>	<u>14,560</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	50	-	40,752
Committed	-	-	-
Assigned	-	56,380	-
Unassigned	-	-	-
Total fund balances	<u>50</u>	<u>56,380</u>	<u>40,752</u>
Total liabilities and fund balances	<u>\$ 50</u>	<u>57,765</u>	<u>55,312</u>

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City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(Page 4 of 5)

	Capital Projects		
	CDBG Sewer Fund	Airport Layout Plan Fund	Lake Project Fund
ASSETS			
Cash	\$ 33,278	20,802	124,947
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Tax increment financing	-	-	-
Special assessments	-	-	-
Other	-	-	214
Due to Component Unit	-	-	-
Due from other governments	-	4,785	96,856
Inventories	-	-	2,090
Total assets	<u>\$ 33,278</u>	<u>25,587</u>	<u>224,107</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$		12,257
Accrued liabilities	-	-	-
Deferred revenue	-	-	-
Compensated absences - current	-	-	2,904
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>15,161</u>
FUND BALANCES			
Nonspendable	-	-	2,090
Restricted	33,278	25,587	206,856
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>33,278</u>	<u>25,587</u>	<u>208,946</u>
Total liabilities and fund balances	<u>\$ 33,278</u>	<u>25,587</u>	<u>224,107</u>

Capital Projects

Airport Environ. Assess Fund	PA Gaming Corporation Allocation Fund	Runway Improvement Fund
19,071	24,271	3,174
-	-	-
-	-	-
-	-	-
-	6,128	-
-	-	-
-	-	13,752
-	-	-
<u>19,071</u>	<u>30,399</u>	<u>16,926</u>
10,898	1,591	10,724
-	-	-
-	1,875	-
-	-	-
-	-	-
<u>10,898</u>	<u>3,466</u>	<u>10,724</u>
-	-	-
8,173	26,933	6,202
-	-	-
-	-	-
-	-	-
<u>8,173</u>	<u>26,933</u>	<u>6,202</u>
<u>19,071</u>	<u>30,399</u>	<u>16,926</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(Page 5 of 5)

	Permanent Perpetual Care Fund	Debt Service Fund	Debt Service Special Assessments Fund
ASSETS			
Cash	\$ 70,495	2,190	1,050
Investments	-	-	-
Receivables	-	-	-
Property taxes	-	1,151	165
Tax increment financing	-	-	-
Special assessments	-	-	-
Other	-	-	308,056
Due to Component Unit	-	-	-
Due from other governments	-	275,323	-
Inventories	-	-	-
Total assets	<u>\$ 70,495</u>	<u>278,664</u>	<u>309,271</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Accrued liabilities	-	-	-
Deferred revenue	-	-	308,056
Compensated absences - current	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>308,056</u>
FUND BALANCES			
Nonspendable	70,495	-	-
Restricted	-	278,664	1,215
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficit)	<u>70,495</u>	<u>278,664</u>	<u>1,215</u>
Total liabilities and fund balances	<u>\$ 70,495</u>	<u>278,664</u>	<u>309,271</u>

Total
Nonmajor
Governmental
Funds

1,437,720
2,352

8,633
3,697
308,056
17,267
275,323
164,618
2,090

2,219,756

51,487

-
309,931
2,904
496

364,818

72,585
721,986
734,659
322,530
3,178

1,854,938

2,219,756

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012
(Page 1 of 5)

	Special Revenue			
	Emergency Fund	Employee Benefit Fund	South TIF Fund	North TIF Fund
Revenues:				
Property taxes and assessments	\$ 29,571	406,258	-	-
Tax increment financing	-	-	116,549	58,787
Other city taxes	9	120	-	-
Use of money and property	-	-	43	7
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>29,580</u>	<u>406,378</u>	<u>116,592</u>	<u>58,794</u>
Expenditures:				
Current:				
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,580</u>	<u>406,378</u>	<u>116,592</u>	<u>58,794</u>
Other financing sources (uses):				
Transfers in	-	-	-	2,615
Transfers out	(29,580)	(430,714)	(119,963)	(64,388)
Total other financing sources (uses)	<u>(29,580)</u>	<u>(430,714)</u>	<u>(119,963)</u>	<u>(61,773)</u>
Net change in fund balances	-	(24,336)	(3,371)	(2,979)
Fund balances (deficits), beginning	-	59,174	19,226	3,533
Fund balances (deficits), ending	<u>\$ -</u>	<u>34,838</u>	<u>15,855</u>	<u>554</u>

Special Revenue		
North TIF LMI Set Aside Fund	East TIF Fund	ECDC Trust Fund
-	-	-
-	76,020	-
-	-	-
31	53	246
-	-	-
-	-	-
-	-	-
-	-	31,765
31	76,073	32,011
-	-	-
-	-	30,742
-	-	24,530
-	-	-
-	-	-
-	-	55,272
31	76,073	(23,261)
26,378	-	26,702
(27,000)	(76,850)	-
(622)	(76,850)	26,702
(591)	(777)	3,441
1,328	855	56,989
737	78	60,430

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012
(Page 2 of 5)

	Special Revenue		
	ECDC Revolving Loan Fund	Community Beautification Fund	LOST Fund
Revenues:			
Property taxes and assessments	\$ -	-	-
Tax increment financing	-	-	-
Other city taxes	-	-	-
Use of money and property	32	37	987
Intergovernmental	-	-	351,828
Charges for services	-	-	-
Special assessments	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>32</u>	<u>37</u>	<u>352,815</u>
Expenditures:			
Current:			
Culture and recreation	-	-	-
Community and economic development	-	4,294	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>-</u>	<u>4,294</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32</u>	<u>(4,257)</u>	<u>352,815</u>
Other financing sources (uses):			
Transfers in	-	-	7,697
Transfers out	-	-	(333,952)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(326,255)</u>
Net change in fund balances	32	(4,257)	26,560
Fund balances (deficits), beginning	17,105	17,197	331,918
Fund balances (deficits), ending	<u>\$ 17,137</u>	<u>12,940</u>	<u>358,478</u>

Capital Projects

Improvement Revolving Fund	Rail Road Fund	Kearny Park Fund	First Street Fund
-	-	-	-
-	-	-	-
-	-	-	-
-	51	126	7
-	-	-	-
-	-	-	-
-	-	-	-
200	-	-	-
<u>200</u>	<u>51</u>	<u>126</u>	<u>7</u>
-	-	-	-
-	-	-	-
-	-	-	-
2,800	-	475	-
<u>2,800</u>	<u>-</u>	<u>475</u>	<u>-</u>
(2,600)	51	(349)	7
43,467	-	12,632	-
(101,373)	-	-	(4,520)
<u>(57,906)</u>	<u>-</u>	<u>12,632</u>	<u>(4,520)</u>
(60,506)	51	12,283	(4,513)
236,909	27,784	49,267	4,513
<u>176,403</u>	<u>27,835</u>	<u>61,550</u>	<u>-</u>

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012
(Page 3 of 5)

	Capital Projects			
	Highway 18/ Urban Fund	Safe Routes to School Fund	Sewell Park Fund	CDBG Housing Rehabilitation Fund
Revenues:				
Property taxes and assessments	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Use of money and property	8	-	135	119
Intergovernmental	-	2,289	-	86,382
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	3,105	-
Total revenues	<u>8</u>	<u>2,289</u>	<u>3,240</u>	<u>86,501</u>
Expenditures:				
Current:				
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	4,037	108,992
Total expenditures	<u>-</u>	<u>-</u>	<u>4,037</u>	<u>108,992</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8</u>	<u>2,289</u>	<u>(797)</u>	<u>(22,491)</u>
Other financing sources (uses):				
Transfers in	-	-	3,000	-
Transfers out	(5,458)	(2,239)	-	-
Total other financing sources (uses)	<u>(5,458)</u>	<u>(2,239)</u>	<u>3,000</u>	<u>-</u>
Net change in fund balances	(5,450)	50	2,203	(22,491)
Fund balances (deficits), beginning	5,450	-	54,177	63,243
Fund balances (deficits), ending	<u>\$ -</u>	<u>50</u>	<u>56,380</u>	<u>40,752</u>

Capital Projects		
Community Center Fund	Airport Taxiline Improvement Fund	Airport Fuel Facility Fund
-	-	-
-	-	-
-	-	-
436	-	23
-	18,858	-
-	-	-
-	-	-
35,000	-	-
<u>35,436</u>	<u>18,858</u>	<u>23</u>
-	-	-
-	-	-
-	-	-
10,000	875	-
<u>10,000</u>	<u>875</u>	<u>-</u>
25,436	17,983	23
139,000	5,354	-
-	-	-
<u>139,000</u>	<u>5,354</u>	<u>-</u>
164,436	23,337	23
139,078	(4,478)	9,032
<u>303,514</u>	<u>18,859</u>	<u>9,055</u>

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012
(Page 4 of 5)

	Capital Projects			
	CDBG Sewer Fund	Airport Layout Plan Fund	Airport Terminal Fund	Lake Project Fund
Revenues:				
Property taxes and assessments	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Use of money and property	127	58	3	-
Intergovernmental	-	8,944	-	197,359
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	9,390
Total revenues	<u>127</u>	<u>9,002</u>	<u>3</u>	<u>206,749</u>
Expenditures:				
Current:				
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Debt service	-	-	-	-
Capital projects	1,085	3,158	4,421	191,965
Total expenditures	<u>1,085</u>	<u>3,158</u>	<u>4,421</u>	<u>191,965</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(958)</u>	<u>5,844</u>	<u>(4,418)</u>	<u>14,784</u>
Other financing sources (uses):				
Transfers in	-	-	-	565
Transfers out	(10,000)	-	-	(47,204)
Total other financing sources (uses)	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(46,639)</u>
Net change in fund balances	(10,958)	5,844	(4,418)	(31,855)
Fund balances (deficits), beginning	44,236	19,743	4,418	240,801
Fund balances (deficits), ending	<u>\$ 33,278</u>	<u>25,587</u>	<u>-</u>	<u>208,946</u>

Capital Projects

<u>Airport Environ. Assess Fund</u>	<u>PA Gaming Corporation Allocation Fund</u>	<u>South Grand Fund</u>	<u>Runway Improvement Fund</u>
-	-	-	-
-	-	-	-
-	-	-	-
22	73	1	16
-	-	-	187,481
-	-	-	-
-	-	-	-
-	303,450	-	-
<u>22</u>	<u>303,523</u>	<u>1</u>	<u>187,497</u>
-	-	-	-
-	-	-	-
-	-	-	-
12,938	194,880	-	171,211
<u>12,938</u>	<u>194,880</u>	<u>-</u>	<u>171,211</u>
(12,916)	108,643	1	16,286
26,950	11,454	-	507
(5,861)	(151,255)	(798)	(11,000)
<u>21,089</u>	<u>(139,801)</u>	<u>(798)</u>	<u>(10,493)</u>
8,173	(31,158)	(797)	5,793
-	58,091	797	409
<u>8,173</u>	<u>26,933</u>	<u>-</u>	<u>6,202</u>

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012
(Page 5 of 5)

	Permanent Perpetual Care Fund	Debt Service Fund	Special Assessments Fund	Total Nonmajor Governmental Funds
Revenues:				
Property taxes and assessments	\$ -	69,200	-	505,029
Tax increment financing	-	-	-	251,356
Other city taxes	-	20	-	149
Use of money and property	-	136	17	2,794
Intergovernmental	-	-	-	853,141
Charges for services	660	-	-	660
Special assessments	-	-	12,683	12,683
Miscellaneous	-	-	-	382,910
Total revenues	660	69,356	12,700	2,008,722
Expenditures:				
Current:				
Culture and recreation	-	-	-	30,742
Community and economic development	-	-	-	28,824
Debt service	-	498,647	-	498,647
Capital projects	-	-	-	706,837
Total expenditures	-	498,647	-	1,265,050
Excess (deficiency) of revenues over (under) expenditures	660	(429,291)	12,700	743,672
Other financing sources (uses):				
Transfers in	-	398,835	-	705,156
Transfers out	-	-	(12,000)	(1,434,155)
Total other financing sources (uses)	-	398,835	(12,000)	(728,999)
Net change in fund balances	660	(30,456)	700	14,673
Fund balances (deficits), beginning	69,835	309,120	515	1,840,265
Fund balances (deficits), ending	\$ 70,495	278,664	1,215	1,854,938

City of Emmetsburg, Iowa
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

	Modified Accrual Basis			
	2012	2011	2010	2009
Revenues:				
Property taxes and assessments	\$ 1,463,704	1,442,230	1,300,100	1,270,629
Tax increment financing	251,356	263,201	288,139	268,524
Other City taxes	187,586	155,111	437,792	450,204
Licenses and permits	16,640	28,248	11,557	24,446
Use of money and property	32,983	56,485	53,398	59,268
Intergovernmental	1,248,525	1,214,730	826,418	731,704
Charges for services	132,463	101,697	121,498	111,235
Special assessments	85,511	13,012	20,329	18,193
Miscellaneous	739,579	808,802	1,663,469	781,936
Total revenues	<u>\$ 4,158,347</u>	<u>4,083,516</u>	<u>4,722,700</u>	<u>3,716,139</u>
Expenditures:				
Current:				
Public safety	\$ 630,120	554,930	574,632	519,473
Public works	808,565	838,772	712,573	738,259
Culture and recreation	633,998	581,923	621,101	762,908
Community and economic development	161,950	126,218	103,507	92,149
General government	375,332	353,843	353,860	381,908
Debt service	498,647	468,142	1,409,646	513,374
Capital projects	2,099,132	1,021,468	721,372	1,785,406
Total expenditures	<u>\$ 5,207,744</u>	<u>3,945,296</u>	<u>4,496,691</u>	<u>4,793,477</u>

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council City
of Emmetsburg, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa as of and for the year ended June 30, 2012, which collectively comprise the City of Emmetsburg Iowa's basic financial statements and have issued our report thereon dated December 12, 2012. The report on the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information was qualified because the City did not implement GASB Statement No. 45 and the capital assets policies do not conform to generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of City of Emmetsburg, Iowa, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting listed in Part I Item I-A-12 and I-B-12.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less

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severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of a possible non-compliance of other matters which is described in Part II (II-D-12) of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Emmetsburg, Iowa. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Emmetsburg, Iowa and other parties to whom the City of Emmetsburg may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Emmetsburg during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bardorf, Parrott And Associates, P.C.

December 12, 2012

Schedule of Findings and Responses

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES

I-A-12

Segregation of Duties – During our review of internal controls, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. Over the past years, the City has implemented various procedures to enhance their internal controls. However, due to time and staffing constraints, the City is still unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation function from receipt and disbursement functions.

Recommendation – We recognize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response – The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. There will be no change until it is fiscally responsible to add additional staff.

Conclusion – Response accepted.

I-B-12

Preparation of Financial Statements

Criteria - The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition - The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less material, but more inconsequential, would be identified and corrected.

Context - While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect - As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Cause - The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation - We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Response - The City does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of GAAP requirements in these disclosure checklists exceeds 50 pages in length. As a result, the City of Emmetsburg has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12** **Certified Budget** – Expenditures during the year ended June 30, 2012 did not exceed the amount budgeted.
- II-B-12** **Questionable Expenditures** – There were no questionable expenditures that fell outside its established policy on such costs.
- II-C-12** **Travel Expense** - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-12** **Business Transactions** - Business transactions between the City and City officials or employees are as follows:

Council member

Steve Finer

Jensvold Motor Company	Repairs	\$ 3,521
	2012 Ford F150 Pickup	\$ 29,800

Emmetsburg Municipal Utilities board of trustee

Nick Steinkamp

KW Electric	Repairs	\$ 2,003
	Capital projects	\$152,178

In accordance with Chapter 362.5 of the Code of Iowa, the transaction with Jensvold Motor Company may represent a conflict of interest for the

repairs because the total purchases exceed a cumulative total of \$1,500 for the year. \$152,178 of the transactions with KW Electric were entered into through competitive bidding in accordance with Chapter 362.5(4); however, the repairs for both members may represent a conflict of interest because the total exceeds a cumulative of \$1,500.

Recommendation: The City does not have a conflict of interest policy statement. The City should use competitive bidding process even for repairs if the total is going to exceed \$1,500 except in the case of emergencies.

Response: The City is in the process of adopting a conflict of interest policy.

Conclusion: Response accepted.

- II-E-12** **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- II-F-12** **Council Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-12** **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.